

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Norman Township	County Manistee
Audit Date 6/30/05	Opinion Date 10/26/05	Date Accountant Report Submitted to State: 1/6/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) J L Stephan Co, PC			
Street Address 862 E. Eighth Street		City Traverse City	State MI
Accountant Signature <i>J. L. Stephan Co. P.C.</i>		ZIP 49686	
		Date 1/6/06	

Norman Township

Manistee County, Michigan

*Audited Financial Statements
and Supplemental Information
For the Year Ended June 30, 2005*

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA
David Skibowski, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Township Council
Township of Norman
Wellston, MI 49689

We have audited the accompanying financial statements of the governmental activities and each major fund of Norman Township as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 17-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Stephan Co. P.C.

October 26, 2005

Norman Township*Exhibit A**Government Wide
Statement of Net Assets
June 30, 2005*

	<i>Governmental Activities</i>
Assets	
Cash and Cash Equivalents	\$ 55,148
Investments	434,056
Due from Other Funds	-
Capital Assets	<u>587,533</u>
<i>Total Assets</i>	<u><u>\$ 1,076,737</u></u>
Liabilities	
Accounts Payable	\$ -
Accrued and Other Liabilities	-
Due to Other Funds	-
Deferred Revenue	-
Non-Current Liabilities	
Due within one year	15,000
Due within more than one year	<u>155,000</u>
<i>Total Liabilities</i>	<u>170,000</u>
Net Assets	
Invested in Capital Assets - net of related debt	587,533
Restricted	
Debt Service	170,000
Unrestricted	<u>149,204</u>
<i>Total Net Assets</i>	<u><u>\$ 906,737</u></u>

The Notes to Financial Statements are an integral part of this statement

Norman Township
Government Wide
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Primary</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Capital</i>	<i>Government</i>
		<i>Services</i>	<i>Grants and</i>	<i>Grants and</i>	<i>Governmental</i>
			<i>Contributions</i>	<i>Contributions</i>	<i>Activities</i>
<i>Primary Government</i>					
General Government	\$ 182,791	\$ 23,064	\$ 7,716	\$ -	\$ (152,011)
Public Safety	84,828	1,750	-	-	(83,078)
Public Works	49,347	-	-	-	(49,347)
Community and Economic Development	15,344	-	-	-	(15,344)
Recreation and Culture	11,519	-	-	-	(11,519)
Other Functions	16,671	-	-	-	(16,671)
Debt Service	8,491	-	-	-	(8,491)
<i>Total Governmental Activities</i>	<u>368,991</u>	<u>24,814</u>	<u>7,716</u>	<u>-</u>	<u>(336,461)</u>
<i>Total Primary Government</i>	<u>\$ 368,991</u>	<u>\$ 24,814</u>	<u>\$ 7,716</u>	<u>\$ -</u>	<u>(336,461)</u>
<i>General Revenues</i>					
Property Taxes					265,633
State Shared Revenues					120,732
Interest					9,957
Refunds					6,486
Miscellaneous					899
<i>Special Items</i>					
Net Transfers In/(Out)					-
<i>Total General Revenues and Special Items</i>					<u>403,707</u>
<i>Change in Net Assets</i>					<u>67,246</u>
Net Assets - Beginning					839,491
Net Assets - Ending					<u>\$ 906,737</u>

The Notes to Financial Statements are an integral part of this statement

Norman Township*Exhibit C**Governmental Funds**Balance Sheet**June 30, 2005*

	<i>General</i>	<i>Fire</i>	<i>Ambulance</i>	<i>Rubbish Collection</i>	<i>Debt Service</i>	<i>Total</i>
Assets						
Cash	\$ 20,539	\$ 8,242	\$ 15,235	\$ 6,241	\$ 4,891	\$ 55,148
Investments	139,624	78,406	128,691	16,763	70,572	434,056
Due from Other Funds	-	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 160,163</u>	<u>\$ 86,648</u>	<u>\$ 143,926</u>	<u>\$ 23,004</u>	<u>\$ 75,463</u>	<u>\$ 489,204</u>
Liabilities						
Payroll Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Fund Balances - Unreserved	<u>160,163</u>	<u>86,648</u>	<u>143,926</u>	<u>23,004</u>	<u>75,463</u>	<u>489,204</u>
<i>Total Fund Balances</i>	<u><u>\$ 160,163</u></u>	<u><u>\$ 86,648</u></u>	<u><u>\$ 143,926</u></u>	<u><u>\$ 23,004</u></u>	<u><u>\$ 75,463</u></u>	<u><u>\$ 489,204</u></u>

The Notes to Financial Statements are an integral part of this statement

Norman Township
*Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2005*

Exhibit D

Fund Balance - Total Governmental Funds (Exhibit C)	\$ 489,204
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*Amounts reported for governmental activities in the statement of net assets
are different because:*

General Governmental Capital Assets of \$940,348 net of accumulated depreciation of (\$352,815) are not financial resources and not reported in the funds.	587,533
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Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported in the fund.	<u>(170,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 906,737</u></u>
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Norman Township
Governmental Fund
*Statement of Revenue, Expenditures
and Changes on Fund Balance
For the Year Ended June 30, 2005*

Exhibit E

	<i>General Fund</i>	<i>Fire Fund</i>	<i>Ambulance Funds</i>	<i>Rubbish Collection Fund</i>	<i>Debt Service</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>						
Property Taxes	\$ 73,646	\$ 81,191	\$ 40,590	\$ 47,895	\$ 22,311	\$ 265,633
Licenses & Permits	4,380	-	-	-	-	4,380
State Shared Revenues	120,732	-	-	-	-	120,732
National Forest Reserve	7,716	-	-	-	-	7,716
Charges for Services	10,518	-	1,750	-	-	12,268
Interest Earned	4,771	1,064	2,541	284	1,297	9,957
Rentals	8,166	-	-	-	-	8,166
Refunds	3,059	2,448	435	544	-	6,486
Miscellaneous Income	191	100	-	608	-	899
<i>Total Revenues</i>	<u>233,179</u>	<u>84,803</u>	<u>45,316</u>	<u>49,331</u>	<u>23,608</u>	<u>436,237</u>
<i>Expenditures</i>						
General Government	159,458	-	-	-	-	159,458
Public Safety	1,553	60,319	33,029	-	-	94,901
Public Works	-	-	-	48,850	-	48,850
Community and Economic Dev.	15,344	-	-	-	-	15,344
Recreation and Culture	11,519	-	-	-	-	11,519
Other Functions	16,671	-	-	-	-	16,671
Capital Outlay	10,118	-	-	-	-	10,118
Debt Service	-	-	-	-	23,491	23,491
<i>Total Expenditures</i>	<u>214,663</u>	<u>60,319</u>	<u>33,029</u>	<u>48,850</u>	<u>23,491</u>	<u>380,352</u>
<i>Excess Revenues Over (Under) Expenditures</i>	<u>18,516</u>	<u>24,484</u>	<u>12,287</u>	<u>481</u>	<u>117</u>	<u>55,885</u>
<i>Other Financing Sources (Uses)</i>						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</i>	<u>18,516</u>	<u>24,484</u>	<u>12,287</u>	<u>481</u>	<u>117</u>	<u>55,885</u>
Fund Balance - Beginning	<u>141,647</u>	<u>62,164</u>	<u>131,639</u>	<u>22,523</u>	<u>75,346</u>	<u>433,319</u>
Fund Balance - Ending	<u>\$ 160,163</u>	<u>\$ 86,648</u>	<u>\$ 143,926</u>	<u>\$ 23,004</u>	<u>\$ 75,463</u>	<u>\$ 489,204</u>

The Notes to Financial Statements are an integral part of this statement

Norman Township

Exhibit F

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005*

Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ 55,885
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$41,289) is exceeded by depreciation (\$44,928) in the current period.	(3,639)
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Payment of Long-Term Debt	<u>15,000</u>
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<i>Change in net assets of governmental activities (Exhibit B)</i>	<u><u>\$ 67,246</u></u>
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Norman Township
Fiduciary Fund
Statement of Net Assets
June 30, 2005

Exhibit G

	<i>Tax Collection</i>
Assets	
Cash	\$ -
Due From Other Funds	-
	<hr/>
<i>Total Assets</i>	-
	<hr/>
Liabilities	
Due to other Funds	-
	<hr/>
<i>Total Liabilities</i>	-
	<hr/>
Net Assets	
Fund Equity	\$ -
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norman Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective July 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the Township.
- Financial statements using the accrual basis of accounting for all the Township's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

A. Reporting Entity

Norman Township is a common law township as defined by the laws of the State of Michigan, and is governed by an elected Supervisor and Township Board. The current state taxable valuation is \$40,704,807.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township collects property taxes between December 1 and February 28. Any uncollected real property taxes that become delinquent March 1 are purchased (paid) by Manistee County normally in May or June of each year.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The three Special Revenue Funds currently maintained by the Township are the Fire Fund, Ambulance Fund, and the Rubbish Collection Fund. Revenues are derived primarily from property taxes and charges for services

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund is used to account for property taxes levied to help finance the community center construction project.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Tax Collection Fund belongs to this Fund Group.

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, the government defines capital assets as assets with an initial individual cost of more than \$3000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Township officials reviewed its fixed asset inventory for the current year and eliminated items no longer in service or scrapped in prior years. Consequently, beginning balances may differ from prior years.

Depreciation has been provided on these fixed assets using the straight-line method over their estimated useful lives.

- | | |
|----------------------------------|------------|
| • Furniture and Office Equipment | 5-7 years |
| • Fire & EMS Equipment | 5-10 years |
| • Park Equipment and Structures | 15 years |
| • Land Improvements | 15 years |
| • Buildings and Improvements | 30 years |
| • Fire Vehicles | 7–20 years |
| • Roads and Paving | 20 years |

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund and department. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the Township had no expenditures in excess of amounts appropriated.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- A. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- B. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with Subsection (2).
- C. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- D. In United States government or Federal agency obligation repurchase agreements.
- E. In banker's acceptances of United States banks.
- F. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS – continued

B. Types of Deposits and Investments

The Township maintains its surplus funds with a local bank in the form of savings/checking accounts. Also, it has funds invested with MBIA Municipal Investors Service Corporation. MBIA has holdings in repurchase agreements, banker's acceptances, commercial paper; U.S. Government guaranteed securities, and U.S. Treasury securities. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at June 30, 2005.

- Category 1 Insured or collateralized with securities held by the entity or its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.
- Category 3 Un-collateralized

		<u>Category</u>			
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Deposits	\$ 55,148	\$ 55,148	\$ -	\$ -	\$ 55,148
Investments	<u>434,056</u>	<u>-</u>	<u>434,056</u>	<u>-</u>	<u>434,056</u>
Total	<u>\$ 489,204</u>	<u>\$ 55,148</u>	<u>\$ 434,056</u>	<u>\$ -</u>	<u>\$ 489,204</u>

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<u>Amount</u>
Governmental Activities	\$ 489,204
Fiduciary Funds	<u>-</u>
Total Deposits	<u>\$ 489,204</u>

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 31,363	\$ -	\$ -	\$ 31,363
<i>Capital Assets Being Depreciated</i>				
General Fund – Buildings	400,968	3,319	-	404,287
Fire Fund – Buildings	36,000	-	-	36,000
Rubbish Coll. – Bldg's	14,915	-	-	14,915
General Fund – Equip.	40,272	6,800	-	47,072
Fire Fund – Equip.	-	15,843	-	15,843
Ambulance Fund – Equip.	-	5,828	-	5,828
General Fund – Vehicles	30,028	-	-	30,028
Fire Fund – Vehicles	283,012	-	-	283,012
Ambulance Fund – Vehicles	<u>62,500</u>	<u>9,500</u>	<u>-</u>	<u>72,000</u>
	<u>867,695</u>	<u>41,290</u>	<u>-</u>	<u>908,985</u>
<i>Accumulated Depreciation</i>				
General Fund – Bldg's	(94,374)	(14,089)	-	(108,463)
Fire Fund – Bldg's	(30,167)	(333)	-	(30,500)
Rubbish Coll. – Bldg's	(2,237)	(497)	-	(2,734)
General Fund – Equip.	(18,210)	(4,958)	-	(23,168)
Fire Fund – Equip.	-	(1,281)	-	(1,281)
Ambulance Fund – Equip.	-	(208)	-	(208)
General Fund – Vehicles	(21,143)	(4,286)	-	(25,429)
Fire Fund – Vehicles	(79,256)	(19,276)	-	(98,532)
Ambulance Fund – Vehicles	<u>(62,500)</u>	<u>-</u>	<u>-</u>	<u>(62,500)</u>
	<u>(307,887)</u>	<u>(44,928)</u>	<u>-</u>	<u>(352,815)</u>
<i>Net Capital Assets being Depreciated</i>	<u>559,808</u>	<u>(3,638)</u>	<u>-</u>	<u>556,170</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 591,171</u>	<u>\$ (3,638)</u>	<u>\$ -</u>	<u>\$ 587,533</u>

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS - continued

Depreciation expense in the current year was charged to programs of the primary government as follows:

Governmental Activities

General Government	\$ 23,333
Public Safety	21,098
Public Works	<u>497</u>
Total Governmental Activities	<u>\$ 44,928</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of debt transactions for the Township for the year ended June 30, 2005:

Beginning Balance	\$185,000
Additional Borrowing	-
Payments	<u>15,000</u>
Ending Balance	<u>\$170,000</u>

On June 16, 1998, the Township issued bonds in the principal amount of \$250,000 for the purpose of defraying costs of the construction of a community center. The bonds are secured by and payable through an annual property tax levy sufficient to pay the interest and principal as they fall due. The principal retirements are due November 1 with interest payable November 1 and May 1 each year. Listed below is a schedule of annual principal requirements and interest rates:

	<u>Annual Principal Requirements</u>	<u>Interest Rate</u>
1999-2000	10,000 per year	3.95% to 4.05%
2001-2007	15,000 per year	4.15% to 4.60%
2008-2012	20,000 per year	4.65% to 5.00%
2013	25,000	5.10%

Norman Township
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 5 – LONG-TERM DEBT - continued

Debt Service Requirement

Fiscal Year Ending <u>June 30</u>	<u>Payments</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 22,791	15,000	\$ 7,791
2007	22,116	15,000	7,116
2008	21,430	15,000	6,430
2009	25,620	20,000	5,620
2010	24,685	20,000	4,685
2011-2014	<u>93,912</u>	<u>85,000</u>	<u>8,912</u>
	<u>\$ 210,554</u>	<u>\$ 170,000</u>	<u>\$ 40,554</u>

NOTE 6 – RISK MANAGEMENT

The Township pays an annual premium to Burnham & Flowers Agency for its general insurance coverage through Michigan Municipal Township Liability and Property Pool (MMTLPP). Building and contents property damage coverage through Michigan Municipal Township Liability and Property Pool is limited to \$763,329. The Township also carries coverage for property damage, liability, wrongful acts, automobile, and crime through MMTLPP. In addition, the Township has insurance through Kemper National Insurance Company for fire department equipment coverage. Also, the Township carries worker's compensation insurance through The Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – LEASE AGREEMENT

The Township entered into an agreement with Consumers Energy Company to lease a boating access site on the company's property. The Township is paying \$200 a year to use this area. The lease is renewed automatically each year unless one of the parties decides to terminate. Every five years the amount of annual rent will be revised.

NOTE 8 – SUBSEQUENT EVENTS

The Township placed a deposit on a new ambulance to R.S.V.P. Inc. in the current fiscal year for \$9,500. The new ambulance is scheduled to be outfitted and put into service in fiscal year 2005/2006 at an additional cost of approximately \$84,500.

SUPPLEMENTAL DATA SECTION

Norman Township
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 141,647	\$ 141,647	\$ 141,647	\$ -
<i>Resources (Inflows)</i>				
Property Taxes	82,525	96,475	48,214	(48,261)
Delinquent Property Tax	-	-	9,271	9,271
Other Taxes	-	-	60	60
Penalties & Interest on Taxes	-	-	335	335
Property Tax Administration Fee	-	-	15,766	15,766
Licenses & Permits	-	-	4,380	4,380
National Forest Reserve	2,500	7,675	7,716	41
State Shared Revenue	129,900	128,350	120,732	(7,618)
SET Collection Fee	-	-	5,875	5,875
Fines	-	-	184	184
Liquor License Fees	-	-	1,509	1,509
Cemetery Lot Fees & Sales	-	-	2,950	2,950
Earned Interest & Dividends	-	-	4,771	4,771
Town Hall Rental	-	-	8,166	8,166
Refunds & Reimbursements	-	-	3,059	3,059
Contributions	-	-	-	-
Other Revenues	-	775	191	(584)
Proceeds from Debt	-	-	-	-
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<i>356,572</i>	<i>374,922</i>	<i>374,826</i>	<i>(96)</i>
<i>Charges to Appropriations (Outflows)</i>				
<i>General Government</i>				
Township Government	34,295	29,985	28,059	1,926
Supervisor	9,024	9,099	8,859	240
Clerk	11,374	11,504	11,242	262
Board of Review	777	825	646	179
Treasurer	18,214	17,514	15,971	1,543
Assessor	33,175	31,748	31,259	489
Elections	1,539	4,092	3,814	278
Township Hall & Grounds	50,876	59,626	55,683	3,943
Cemetery	2,550	4,250	3,925	325
<i>Public Safety</i>				
Liquor Law Enforcement	1,194	2,230	1,553	677
<i>Public Works</i>				
Road Maintenance	2,500	7,680	-	7,680
Street Lights	-	-	-	-

Notes to Financial Statements are an integral part of this statement

Norman Township
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Community & Economic Development				
Zoning	16,119	13,182	12,504	678
Planning Commission	3,631	3,596	2,840	756
Recreation & Culture	13,250	11,960	11,519	441
Other Expenditures				
Insurance	10,500	12,400	12,381	19
Unemployment	200	350	349	1
Workers Comp Insurance	4,500	4,000	3,941	59
Capital Outlays	10,000	10,150	10,118	32
E95 Junk/Blight Contingency	12,000	-	-	-
Wellston Woods Contingency	3,000	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	<u>238,718</u>	<u>234,191</u>	<u>214,663</u>	<u>19,528</u>
Budgetary Fund Balance	<u>\$ 117,854</u>	<u>\$ 140,731</u>	<u>\$ 160,163</u>	<u>\$ 19,432</u>

Notes to Financial Statements are an integral part of this statement

Norman Township
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2005

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 62,164	\$ 62,164	\$ 62,164	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	81,433	84,385	68,091	(16,294)
Delinquent Property Taxes	-	-	13,100	13,100
Local Unit Contributions	-	-	-	-
Other Contributions	-	-	-	-
Charges for Services	-	-	-	-
Earned Interest	-	-	1,064	1,064
Refunds	-	-	2,448	2,448
Miscellaneous	-	-	100	100
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<u>143,597</u>	<u>146,549</u>	<u>146,967</u>	<u>418</u>
<i>Charges to Appropriations (Outflows)</i>				
Fire Protection				
Salaries and Wages			2,223	
Employer's Social Security			170	
Supplies & Postage			2,020	
Other Services & Charges			548	
Fire Runs			10,675	
Gas & Oil			575	
Travel & Conferences			1,396	
Insurance & Bonds			21,693	
Public Utilities			5,100	
Repairs & Maintenance			34	
Miscellaneous			42	
Capital Outlay			15,843	
	<u>47,621</u>	<u>61,425</u>	<u>60,319</u>	<u>1,106</u>
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Charges to Appropriations</i>	<u>47,621</u>	<u>61,425</u>	<u>60,319</u>	<u>1,106</u>
Budgetary Fund Balance	<u>\$ 95,976</u>	<u>\$ 85,124</u>	<u>\$ 86,648</u>	<u>\$ 1,524</u>

The Notes to Financial Statements are an integral part of this statement

Norman Township
Budgetary Comparison Schedule
Ambulance Fund
For the Year Ended June 30, 2005

Schedule 3

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 131,639	\$ 131,639	\$ 131,639	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	42,277	45,210	34,062	(11,148)
Delinquent Property Taxes	-	-	6,528	6,528
Local Unit Contributions	-	-	-	-
Other Contributions	-	-	-	-
Charges for Services	-	-	1,750	1,750
Earned Interest	-	-	2,541	2,541
Refunds	-	-	435	435
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	173,916	176,849	176,955	106
<i>Charges to Appropriations (Outflows)</i>				
Ambulance Service				
Salaries and Wages			-	
Employer's Social Security			-	
Supplies & Postage			563	
Other Services & Charges			535	
Ambulance Runs			8,745	
Gas & Oil			947	
Travel & Conferences			3,916	
Insurance & Bonds			2,677	
Public Utilities			-	
Repairs & Maintenance			297	
Miscellaneous			21	
Capital Outlay			15,328	
	14,450	34,200	33,029	1,171
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	14,450	34,200	33,029	1,171
Budgetary Fund Balance	<u>\$ 159,466</u>	<u>\$ 142,649</u>	<u>\$ 143,926</u>	<u>\$ 1,277</u>

The Notes to Financial Statements are an integral part of this statement

Norman Township
Budgetary Comparison Schedule
Rubbish Collection Fund
For the Year Ended June 30, 2005

Schedule 4

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 22,523	\$ 22,523	\$ 22,523	\$ (0)
<i>Resources (Inflows)</i>				
Current Property Taxes	48,831	49,365	38,936	(10,429)
Delinquent Property Taxes	-	-	8,959	8,959
Local Unit Contributions	-	-	-	-
Other Contributions	-	-	-	-
Charges for Services	-	-	-	-
Earned Interest	-	-	284	284
Refunds	-	-	544	544
Miscellaneous	-	-	608	608
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	71,354	71,888	71,854	(34)
<i>Charges to Appropriations (Outflows)</i>				
Rubbish Collection				
Salaries and Wages			7,507	
Employer's Social Security			574	
Supplies & Postage			949	
Other Services & Charges			2,869	
Contracted Services			33,363	
Bank Service Charges			30	
Travel & Conferences			-	
Insurance & Bonds			3,346	
Public Utilities			212	
Repairs & Maintenance			-	
Miscellaneous			-	
Capital Outlay			-	
	55,335	49,477	48,850	627
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	55,335	49,477	48,850	627
Budgetary Fund Balance	<u>\$ 16,019</u>	<u>\$ 22,411</u>	<u>\$ 23,004</u>	<u>\$ 593</u>

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Norman Township

Comments & Recommendations

In planning and performing our audit of the financial statements of Norman Township, for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Inland Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

We noted the following reportable conditions that we do not believe to be material weaknesses.

Opening Comments

The records of the Township were generally maintained in good condition by your Clerk and Treasurer, and they should be commended for their efforts. Recorded revenues were deposited timely and intact. The Clerk's journals and ledgers appeared to be properly posted, and the cash balances of the Clerk and Treasurer appear to be compared on a regular basis.

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your review.

Budget Amendments

Budget amendments were noted in meeting minutes, however, the detail of the amendments were neither noted in the minutes nor attached. All budget amendments should either be clearly detailed in the minutes or in an attachment to the minutes. The detail should include the account number and name and the amount of increase or decrease of the amendment.

Cash Reconciliation

While performing our tests of cash balances, we noted an immaterial difference between our reconciliation and the Treasurer's balance for the General Fund checking account. As a matter of course, we recommend investigating and resolving any deposits outstanding for more than two weeks and checks outstanding for more than sixty days.

Out of Balance Fund Balances

We noted the General Fund, Fire Fund and the Rubbish Collection Fund were out of balance by immaterial amounts. It appears adjustments from prior years are for minor differences between the Treasurer's cash balances and the general ledger cash balances. There is no case in which these minor differences should not be posted to an "Out of Balance Fund". By making this adjustment, the original fund being adjusted will be permanently out of balance. We recommend making the adjustment to cash and another account in the fund being adjusted such as interest income.

Norman Township

Comments & Recommendations

Ambulance Funds

The Township created two separate Ambulance Funds; ostensibly keep new millage revenues separate from old. However, all tax revenue was recorded in one fund and all expenditures in another. Both millages appear to be the same amount, primarily for operations. The two funds should be combined as a single fund. If the board wishes, it may designate a portion of the fund balance for future uses at its discretion.

Closing Comments

We will be pleased to discuss any of these recommendations and assist you in their implementation. As a matter of course, we will forward a copy of this audit report to the State Treasury Department. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these financial statements or our audit, please call upon us.